

Project Task Force
Non-financial reporting standards

Outreach meeting
European standard- setting (ESS)



European Financial Reporting Advisory Group



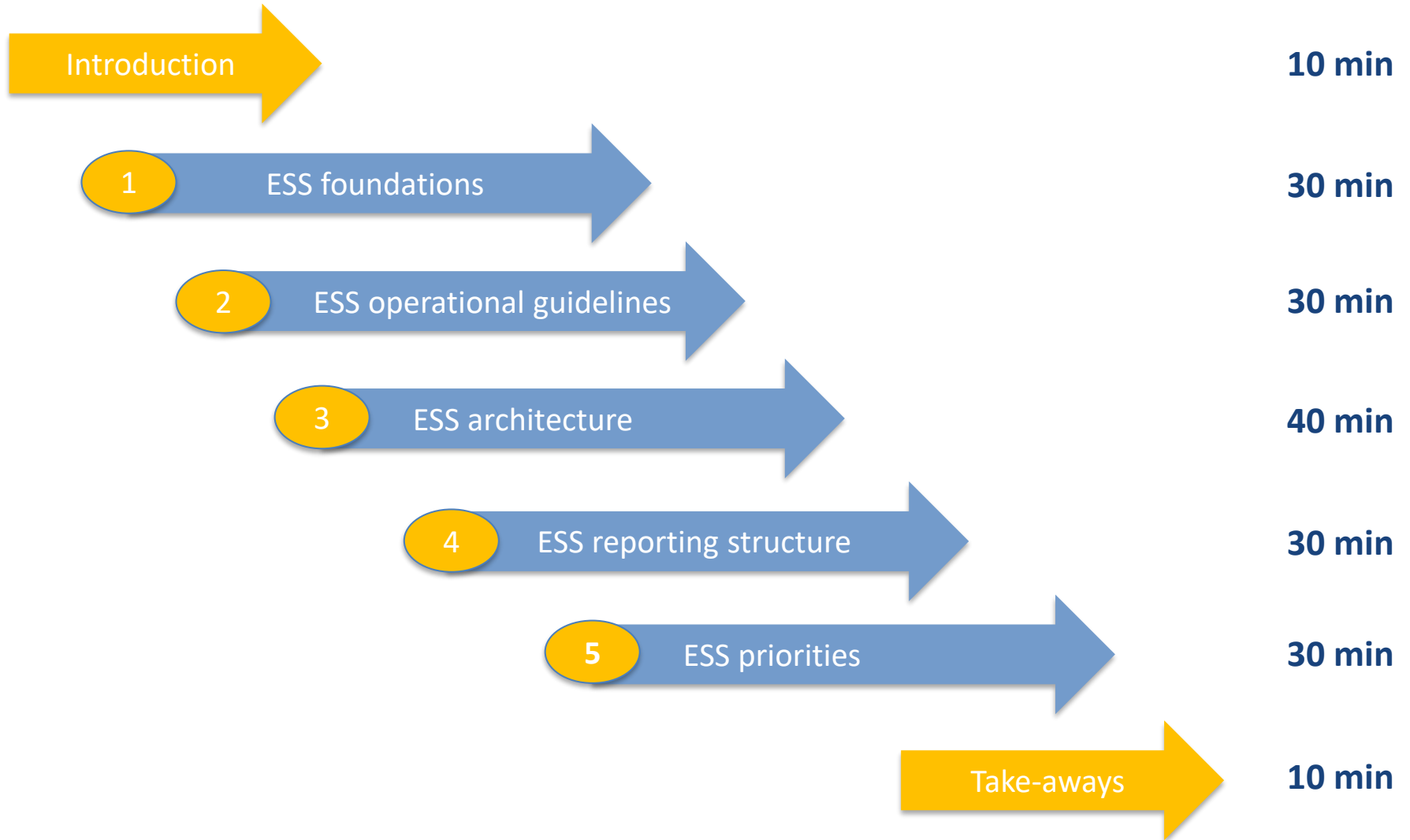
Disclaimer

This document is a tentative summarised presentation on ongoing work-in-progress from the Project Task force on non-financial reporting standards of the European Corporate Reporting Lab at EFRAG.

The views reflected in this outreach document provide an indication of the approach followed and of the possible orientations that the Task Force may adopt, but it does not prejudge the final Proposals that will be made to the European Commission by the Task Force in its Final Report.

It is intended to gather views from European stakeholders on key preliminary views emerging from the Task Force current ongoing work.

Agenda

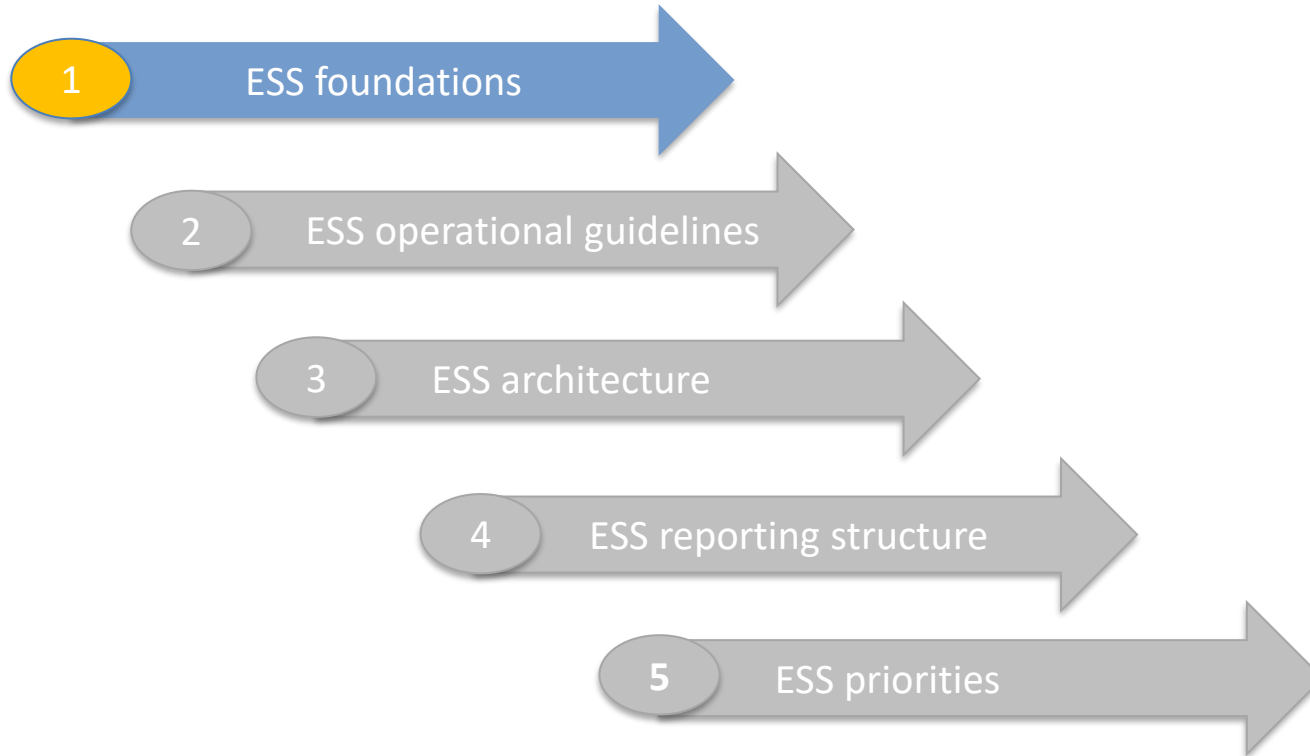


EU sustainability reporting: 3 processes in parallel



→ Therefore, interaction as a basis (under final coordination by Level 1)

Agenda



Overarching Principle #1

A principles-based sustainability reporting system.

Overarching Principle #2

An inclusive range of sustainability reporting stakeholders.

Building block #1

Supporting the EU sustainability reporting momentum.

Building block #2

Addressing the specific challenges of financial institutions.

Building block #3

Including SMEs in the EU sustainability reporting landscape in a proportionate manner.

Building block #4

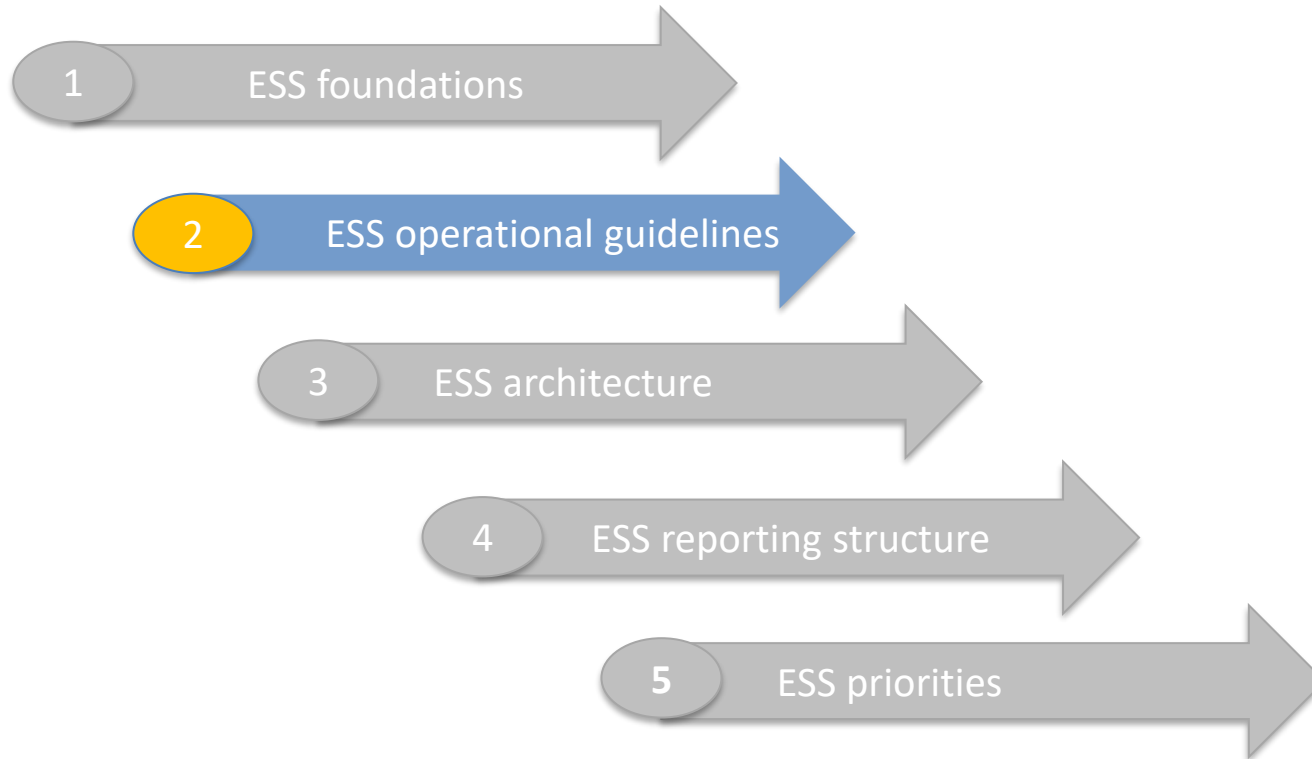
Fostering sector-specific sustainability reporting relevance.

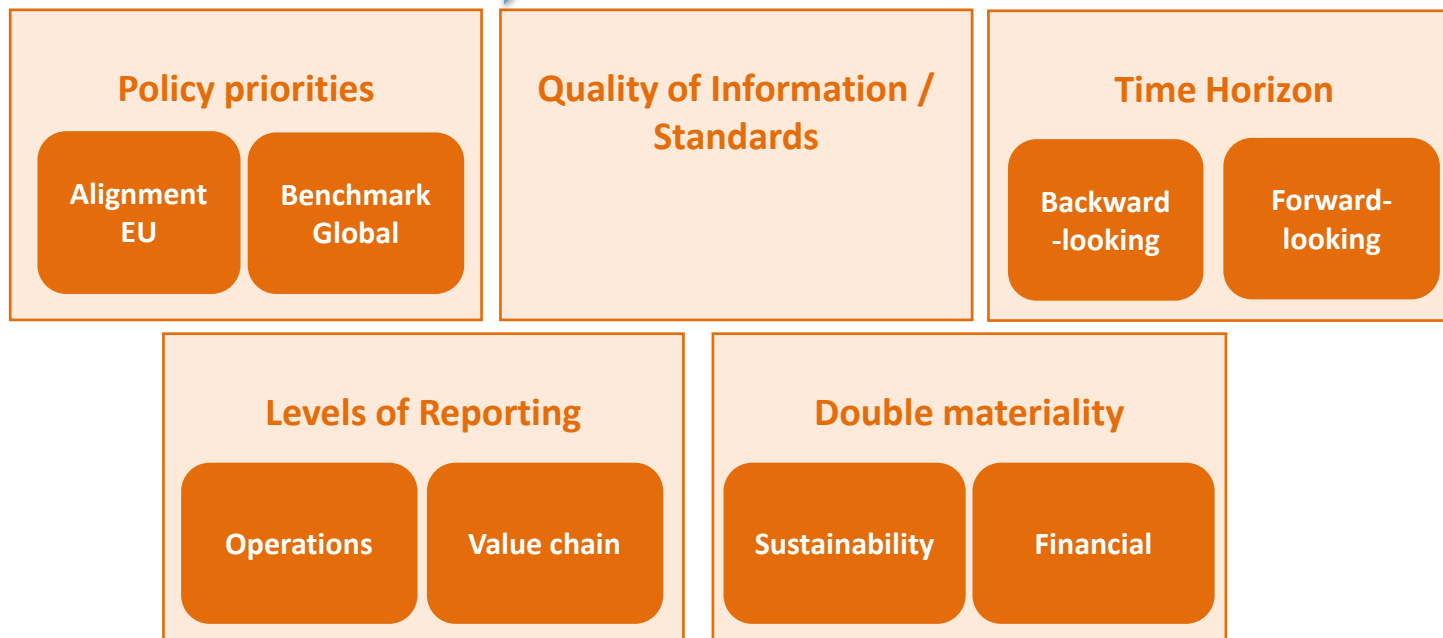
Building block #5

Acknowledging the importance of intangibles in sustainability reporting.

The **standard-setting foundations** frame the mission and role of the ESS within the EU sustainability reporting landscape. As such, they are then considered and cascaded down into the standards architecture.

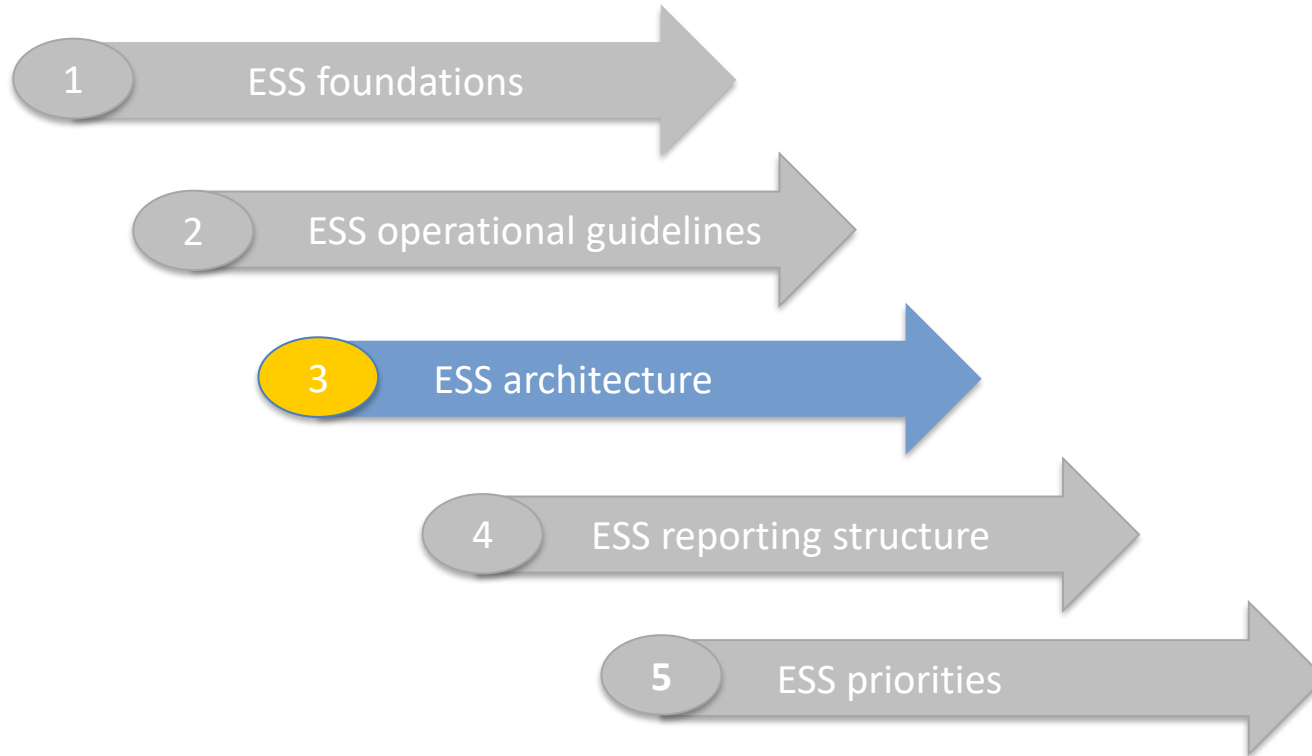
Outreach sequencing

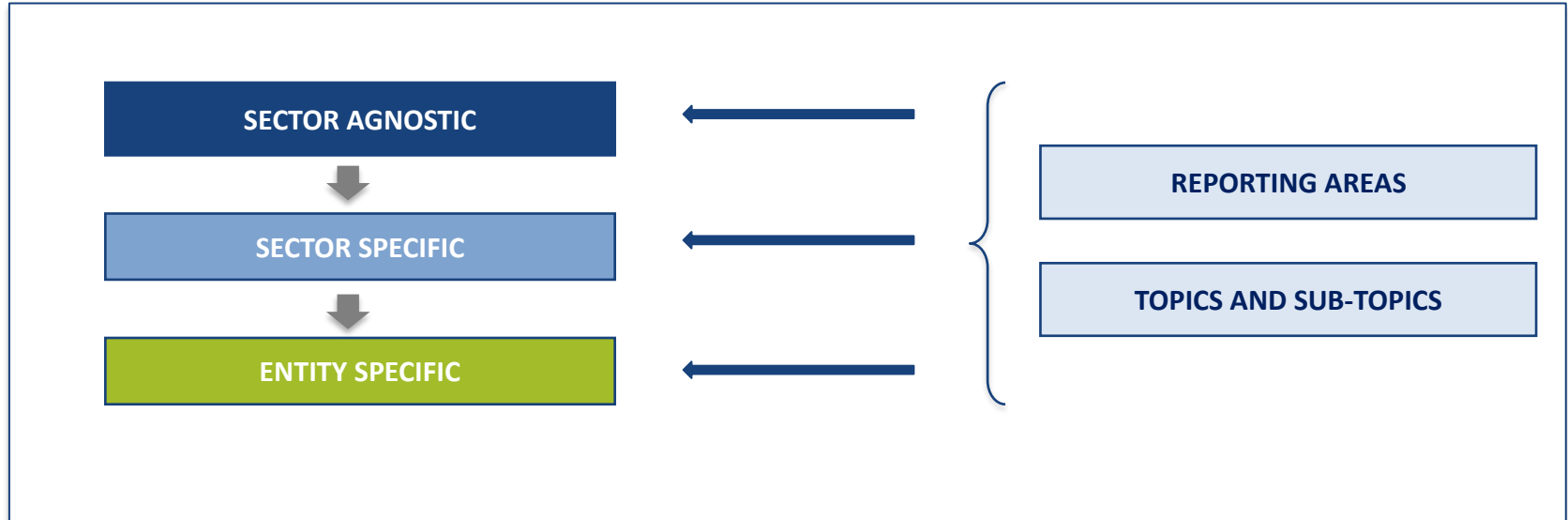




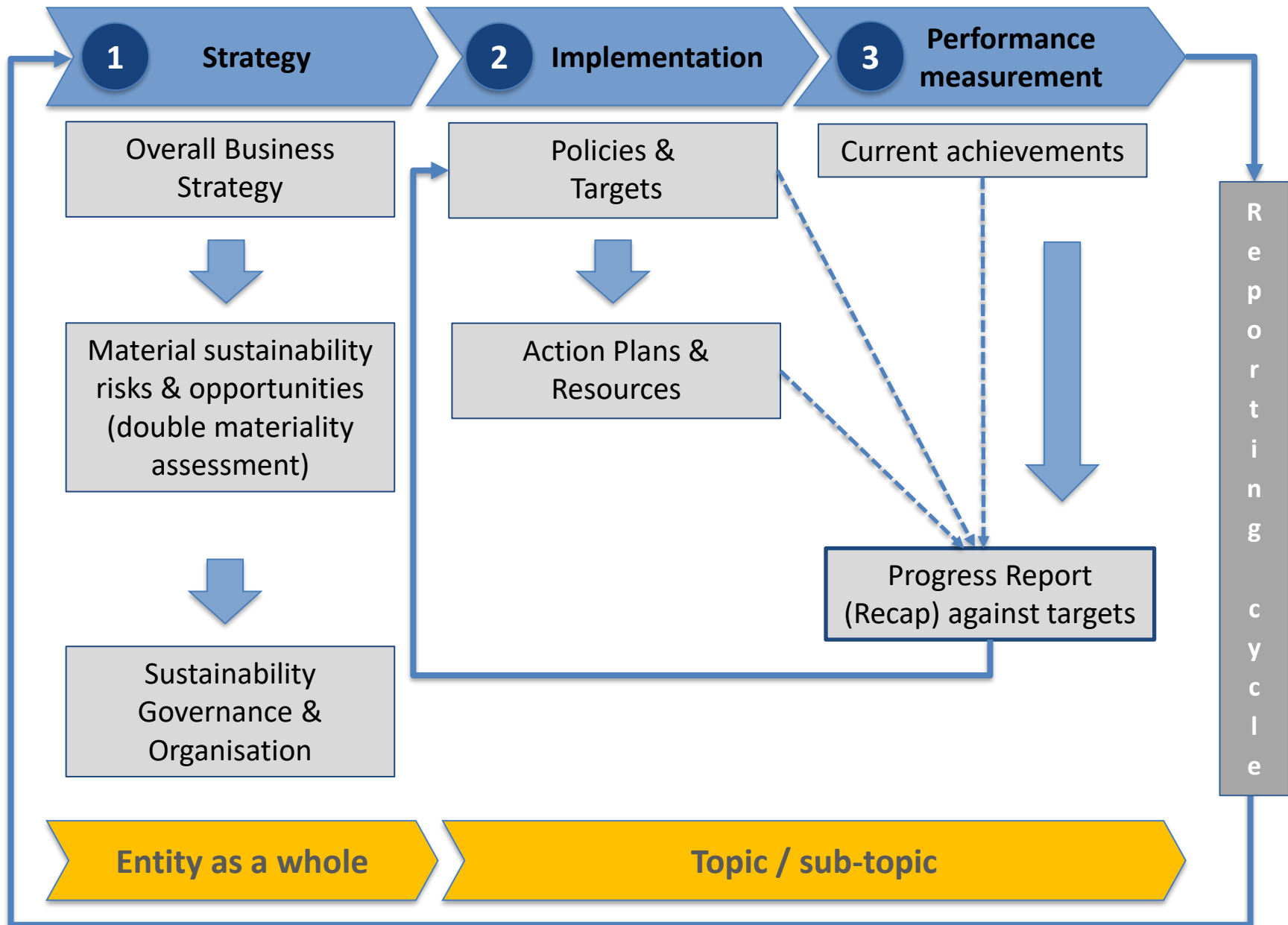
- The **standard-setting guidelines** are a set of **tools** to be developed by the ESS prior to any standard-setting in order to guide its work when setting the standards themselves. They cover 5 themes that need to be systematically considered in the standard-setting process. Some guidelines may have to be translated into standards when they have to be cascaded down to reporting entity level.
- As a general principle, all guidelines should **draw on existing European and international initiatives** for setting the appropriate processes and concepts.

Outreach sequencing





The standard-setting (and reporting) **architecture** should combine **three layers** (sector-agnostic, sector-specific, entity-specific) and **two dimensions** (reporting areas and topics) in order to define the right level of sustainability information.



Option 1

Environmental

Climate

Water & Marine Resources

Biodiversity & Ecosystems

Circular economy

Pollutions

illustrative

Social

Workforce

Value Chain workers

Affected communities

Consumers / end users

[Public Authorities]?

illustrative

General (incl. Governance)

Governance

Business Ethics

Organisation

Brand/Communication

Innovation

illustrative

Possible compatibility with multi-capital approach

Natural Capital

Human Capital

Intellectual Capital

Social & Relationships
Capital

Option 2

Environment

Climate
Water & Marine Resources
Biodiversity & Ecosystems
Circular economy
Pollutions

illustrative

People

Labour relations
Health & Safety
Other Human Rights
Human Resources

illustrative

Organisation (incl. Governance)

Governance
Business Ethics
Organisation
Brand/Communication
Innovation

illustrative

Relationships

Supply chain
Customers
Public Authorities
Human Rights
Communities

illustrative

Possible compatibility with multi-capital approach

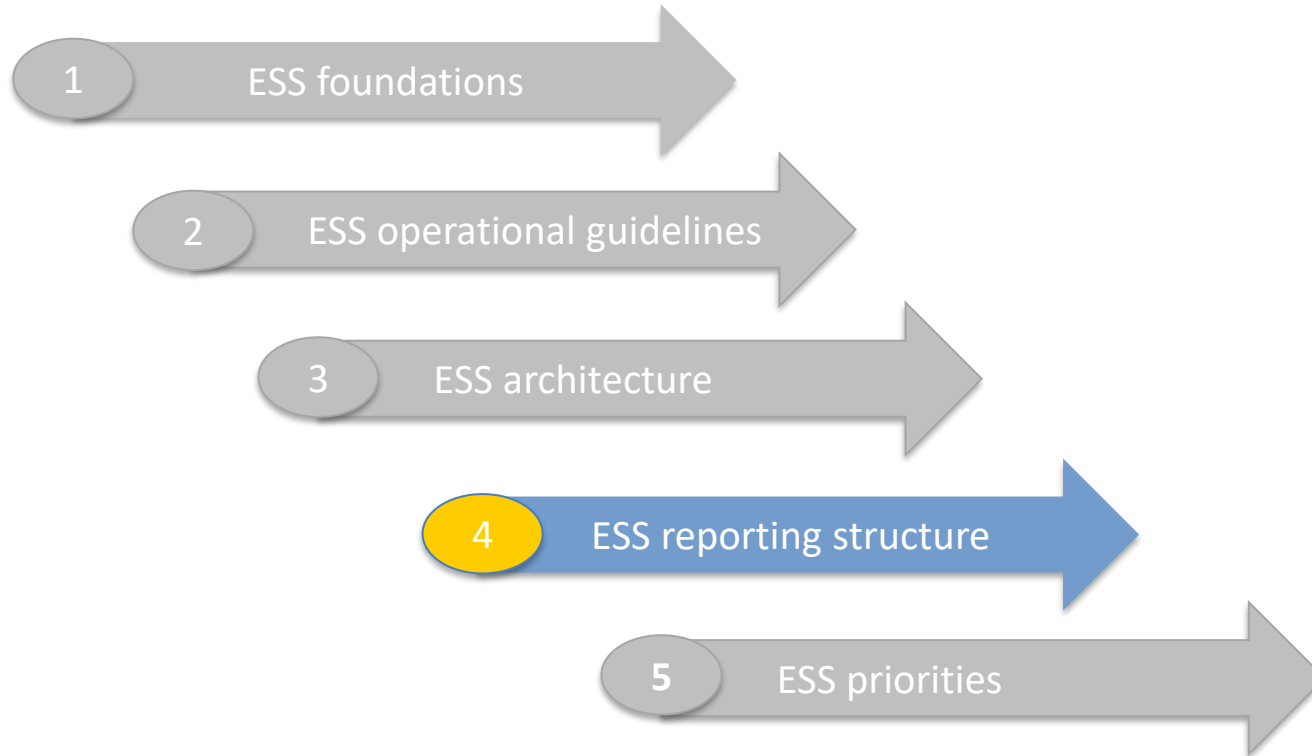
Natural Capital

Human Capital

Intellectual Capital

Social & Relationships
Capital

Outreach sequencing



Sustainability Reporting

MANAGEMENT REPORT
(SUSTAINABILITY STATEMENTS)

REPORTING TAXONOMY

Interconnection

Interconnection

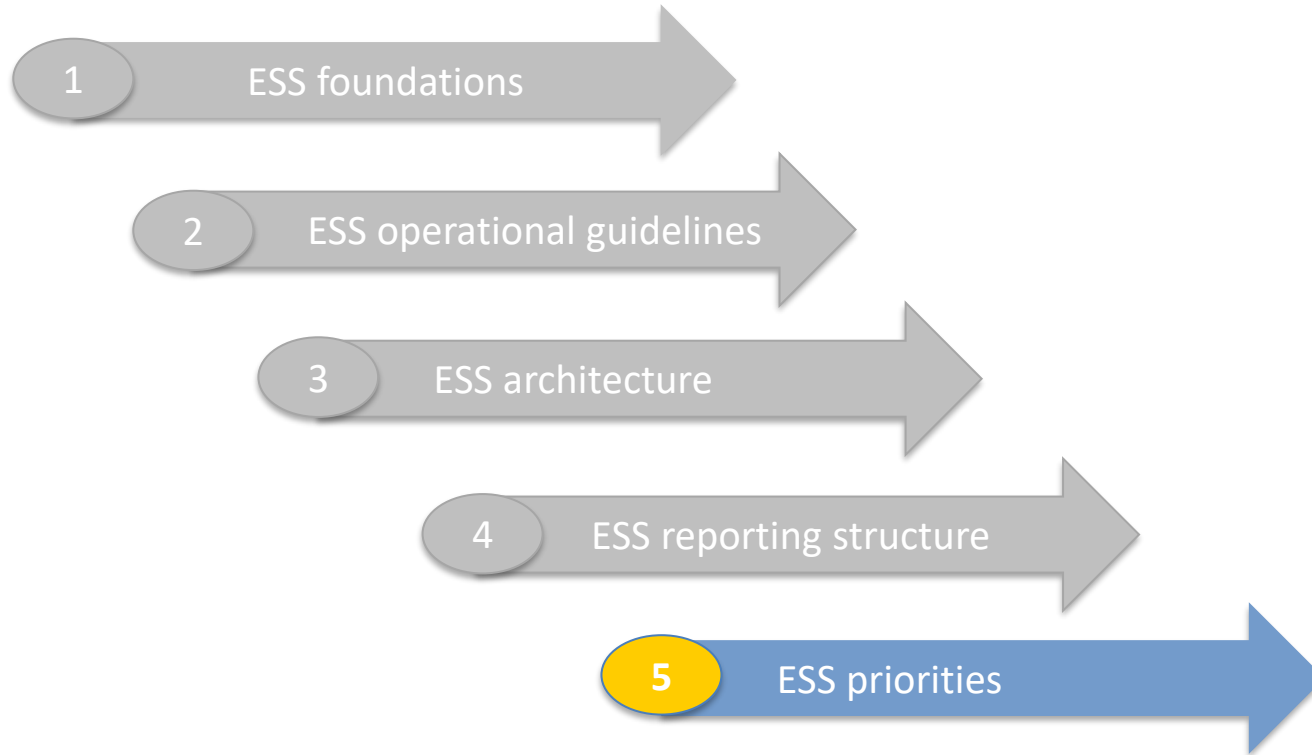
Financial Reporting

FINANCIAL STATEMENTS

RELATED TAXONOMY

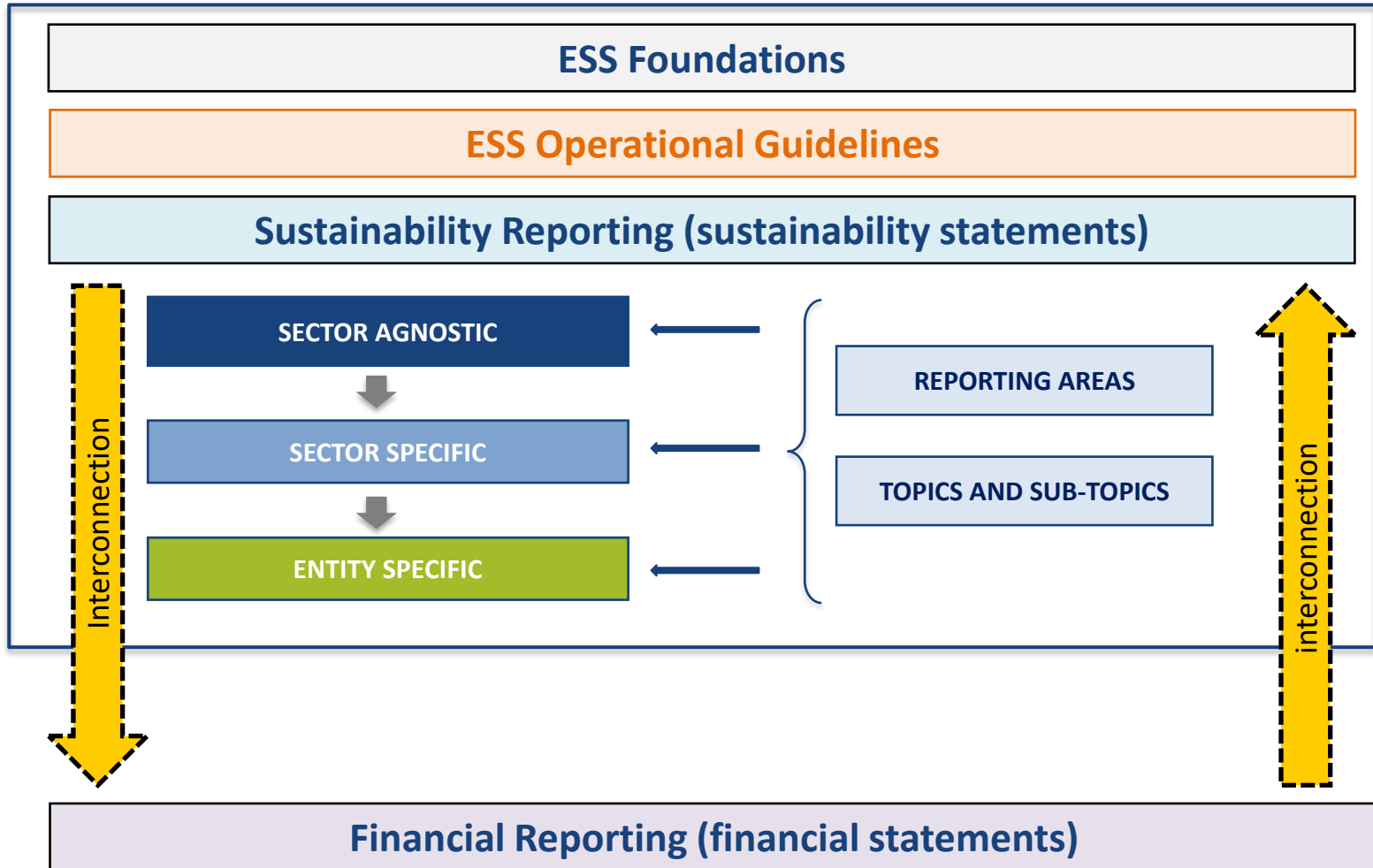
Beyond content, it is key to define a **standard reporting structure**. Such a structure should reflect the reporting (and standard-setting) architecture and should enable the adoption of a digital taxonomy from the beginning.

Outreach sequencing



Target general architecture

Summary of the above



- There is general agreement that the EU sustainability momentum calls for a major step in sustainability reporting. As a consequence, the Task Force considers that (i) **priorities should be taken into account** and (ii) the next step should aim at **delivering urgently a coherent first set of disclosures**.
- Along the EU momentum, there is a large number of initiatives in relation to sustainability standard-setting, with current notable convergence efforts. The Task Force welcomes these efforts and considers of prime importance to **cooperate with the leading international initiatives to ensure coherence and reciprocal input between EU and other international initiatives**, in order in particular to **foster a global playing-field for international companies**.



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THANK YOU



EFRAG
Aisbl - ivzw
35 Square de Meeüs
B-1000 Brussel
Tel. +32 (0)2 207 93 00
www.efrag.org

